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301st Year end Jan. 31, 1970

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Hudson's Bay Company

INCORPORATED 2ND MAY 1670

1670



REPORT AND ACCOUNTS 1970
THE GOVERNOR AND COMPANY
OF ADVENTURERS OF ENGLAND
TRADING INTO HUDSON'S BAY
301st ANNUAL GENERAL COURT



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Hudson's Bay Company

DIRECTORS' REPORT & ACCOUNTS
TO BE LAID BEFORE THE PROPRIETORS AT THE
301st ANNUAL GENERAL COURT AT BEAVER HALL,
GARLICK HILL, LONDON E.C.4, ON THURSDAY,
28th MAY, 1970, AT 11 A.M.



To commemorate the Company's 300th Anniversary in 1970, a replica of the "Nonsuch", the Company's first ship, has been built. She was exhibited in England in 1969 and will appear in many communities in Eastern Canada in the summer of 1970.

This Canadian dollar version of the Directors' Report and Accounts has been prepared for the convenience of Proprietors resident in North America. The original sterling accounts are to be laid before the Proprietors at the 301st Annual General Court. Proprietors wishing to obtain a copy of the sterling Directors' Report and Accounts should write to The Secretary, Canadian Committee, Hudson's Bay House, 77 Main Street, Winnipeg 1, Manitoba.

BOARD

THE RT. HON. VISCOUNT AMORY
K.G., P.C., G.C.M.G., T.D., D.L.
London
Governor

T. NORBERT BEAUPRÉ
Montreal
Chairman of the Board &
President, Domtar Limited

THE RT. HON. LORD COBBOLD, P.C., G.C.V.O.
London
Director, The British Petroleum Company Ltd.

J. E. H. COLLINS, M.B.E., D.S.C.
London
Managing Director, Morgan, Grenfell & Co. Ltd.

E. O. FAULKNER, M.B.E.
London
Chairman, Lloyds Bank Ltd.

G. R. HUNTER, Q.C.
Winnipeg
Partner, Pitblado, Hoskin & Company

W. J. KESWICK
London
Director, Matheson & Co. Ltd.

D. E. KILGOUR
Winnipeg
President, The Great-West Life Assurance Company

J. G. LINKS, O.B.E.
London
Director, Calman Links Ltd.

A. J. MacINTOSH, Q.C.
Toronto
Partner, Blake, Cassels & Graydon

A. M. McGAVIN
Vancouver
President, McGavin Toastmaster Ltd.

D. S. McGIVERIN
Winnipeg
Managing Director, Retail Stores

J. BARTLETT MORGAN
Montreal
Chairman of the Board, The Morgan Trust Company

J. R. MURRAY
Winnipeg
Managing Director

GEORGE T. RICHARDSON
Winnipeg
President, James Richardson & Sons Limited

R. E. SHEEN
Winnipeg
Deputy Managing Director

C. GORDON SMITH
Winnipeg
President, Oldgard Limited

H. W. SUTHERLAND
Winnipeg
Deputy Managing Director

GRAHAM F. TOWERS, C.C., C.M.G.
Ottawa
Corporate Director

SENIOR MANAGEMENT

D. G. BUCKLEY
General Manager, Western Region

C. W. EVANS
General Manager, Central Region

A. R. MURRAY
General Manager, Eastern Region

H. L. SPELLISCY
Manager, Alberta Region

D. H. PITTS
General Manager, Northern Stores Department

G. A. BURROWS
General Manager, Wholesale Department

A. F. FRAYLING
General Manager, Fur Sales

L. J. HENRY
President, Hudson's Bay Company Fur Sales Incorporated

J. G. W. McINTYRE
General Manager, Retail Development

P. W. WOOD
Treasurer

M. H. MacKENZIE
Director of Personnel

R. A. REYNOLDS, T.D.
Secretary

A. R. HUBAND
Secretary, Canadian Committee of the Board

NOTICE OF MEETING

1. The 301st ANNUAL GENERAL COURT of The Governor and Company of Adventurers of England trading into Hudson's Bay will be held at Beaver Hall, Garlick Hill, London, E.C.4, on 28th May, 1970, at 11 a.m. to receive the Accounts for the year ended 31st January, 1970, together with a report from the Board.
2. Resolutions will be proposed at the Court:
 - (a) For payment on 28th May, 1970, of a final dividend for the year ended 31st January, 1970, at the rate of 11% to Proprietors registered as Shareholders on 24th April, 1970.
(Resolution No. 1)
 - (b) To approve and adopt the Directors' Report, Balance Sheet and Profit and Loss Account for the year ended 31st January, 1970, including the Group Accounts.
(Resolution No. 2)
3. The following Directors were appointed during the year by the Board and now retire but, being eligible, are proposed for re-election as members of the Board:
 - A. M. McGavin **(Resolution No. 3)**
 - D. S. McGiverin, Managing Director, Retail Stores **(Resolution No. 4)**
 - A. J. MacIntosh, Q.C. **(Resolution No. 5)**
4. Directors retiring by rotation and proposed for re-election as members of the Board are:
 - T. N. Beaupré **(Resolution No. 6)**
 - The Rt. Hon. Lord Cobbold, P.C., G.C.V.O. **(Resolution No. 7)**
 - J. E. H. Collins, M.B.E., D.S.C. **(Resolution No. 8)**
 - J. R. Murray, Managing Director **(Resolution No. 9)**
 - C. G. Smith **(Resolution No.10)**
5. Mr. Graham F. Towers, C.C., C.M.G., also retires by rotation but does not seek re-election.
6. Messrs. Peat, Marwick, Mitchell & Co. having notified the Company that they are willing to continue as Auditors, a Resolution will be proposed at the Court to fix their fee.
(Resolution No. 11)
7. Transfer books will be closed from 25th April to 9th May, 1970, inclusive.

BEAVER HOUSE,
GREAT TRINITY LANE,
LONDON, E.C.4.
1st MAY, 1970.

By Order of the Board
R. A. REYNOLDS
Secretary

CONSOLIDATED FINANCIAL SUMMARY

HUDSON'S BAY COMPANY YEARS ENDED 31st JANUARY

	1970	1969
	\$	\$

SALES	472,812,000	453,079,000
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CONSOLIDATED PROFIT AND LOSS

Profit before taxes	23,789,000	27,435,000
Taxation on profits	10,832,000	12,732,000
Net profit	12,957,000	14,703,000
Net profit per share	96¢	\$1.08
Cost of dividends	7,048,000	7,049,000
Cost of dividends per share	52¢	52¢
Estimated transitional tax relief	715,000	1,235,000

CONSOLIDATED BALANCE SHEET

Fixed assets	103,400,000	96,327,000
Trade investments	14,650,000	11,590,000
Net current assets	109,106,000	102,928,000
Assets employed	227,156,000	210,845,000
Long term debt	56,831,000	47,195,000
Shareholders' equity	170,325,000	163,650,000

OPERATING RESULTS BEFORE TAXES

Retail	— Sales	387,524,000	371,951,000
	Profit	16,643,000	18,569,000
Fur	— Sales and consignments	98,971,000	116,901,000
	Profit	903,000	2,265,000
Wholesale	— Sales	78,575,000	74,441,000
	Profit	2,004,000	2,324,000
Royalties		2,189,000	2,228,000
Trade investment income		2,050,000	2,049,000

DIRECTORS' REPORT TO PROPRIETORS

At the Annual Court last May in referring to immediate prospects, I sounded a cautious note mentioning a strong pressure on profit margins in our retail trade and some slowing down in activity in fur sales.

Since mid year fur prices dropped sharply and once again we are reminded of the difficulty of forecasting price changes in a market which is so sensitive to world demand. The chief disappointment, however, is that the operations of the departmental stores in general did not produce the expected profit.

The result is a moderate setback in earnings after a record of steady profit increases for a number of years, the extent of the setback being in line with the results announced for the first half year.

Profits before tax declined 13.3% from last year. Retail, wholesale and fur results were all lower. The dividend from Hudson's Bay Oil and Gas Company of \$2,004,000 remained the same as for the last two years, and there was a slight decrease in the royalty income. As a result, the Company's net profits were \$12,957,000, down 11.9% from a year ago.

In the statement to Proprietors giving the Company's half-yearly results, it was stated that on a comparable basis net earnings for the half-year were down 16% and that of this decline 70% was attributable to a reduction in fur profits. The failure to make any recovery in the second half of the year, in which some two-thirds of the Company's profits are normally earned, arose from two main factors:

—The retail results for the fourth quarter, traditionally the most important period of the year, were poor in several of the Company's major units.

—The fur operation in New York had a much worse selling experience in December and January than had been anticipated. Indeed, the New York fur unit accounted for 25% of the drop in Group profits.

PROFIT

Profit before tax was \$23,789,000 against \$27,435,000 the year before. Net profit after tax amounted to \$12,957,000 (96¢ per share) compared to \$14,703,000 (\$1.08 per share) a year ago.

SALES

Sales increased by 4.4% to \$472,812,000. On a comparable basis after adjusting for 52

weeks of trading in 1969 compared to 53 weeks in 1968, retail sales were ahead 5.6%.

In addition, fur consignment sales were \$92,258,000, a reduction of 16.3% from the previous year.

TAXATION AND DIVIDENDS

An interim dividend of 9% was paid to proprietors in October, 1969. The Board now proposes a final dividend payable on 28th May, 1970, of 11% making a total of 20% the same as for the previous year.

Transitional taxation relief under the United Kingdom Finance Act 1965 continued to taper off and is estimated in this year's accounts at \$715,000.

BALANCE SHEET

Fixed Assets

Net fixed assets at 31st January, 1970, were \$103,400,000, an increase of 7.3% over the previous year. Capital expenditure of \$14,690,000 was made up of \$6,188,000 on Land and Buildings and \$8,502,000 on Equipment and Transport. Depreciation was up 12% at \$6,966,000.

Long-Term Debt

Two issues of medium and long-term interest bearing securities were made during the year. In June, 1969, the Parent Company sold to institutional investors in Canada, \$10,000,000 8½ % Series "A" Promissory Notes with maturities of three, four and five years.

In January, 1970, Hudson's Bay Company Acceptance Limited, a wholly-owned subsidiary, sold \$20,000,000 9½ % Series "C" Debentures to an underwriting group for resale to the public in Canada. The debentures mature in 19 years but are repayable in five years at the option of the holder. Excluding these debentures, the proceeds of which were not received until March 2, 1970, the total long-term debt of the Company and its subsidiaries at 31st January, 1970, was \$56,831,000.

TRADING

Inflation was once again the principal economic problem in Canada in 1969. Gross national product increased by 9% but only one-half of this represented growth in real terms. The Federal Government is making a determined effort to halt the inflationary trend and although these measures are having an adverse effect on Company sales and profits, the achievement of this aim must surely be beneficial to the Canadian economy in the long run.

Regional economic disparity continued to be a problem in Canada and one which particularly affected the Company's operations in 1969. Two of the provinces which did not keep pace with the economy as a whole, Quebec and Saskatchewan, are areas where major capital expenditures have been made by the Company in recent years.

Department Stores

The sales pattern was uneven as a result of increased competition in some areas and depressed business conditions in others.

In Vancouver sales increased with the opening of two new suburban stores. The Morgan operations in Montreal continued to gain acceptance following the extensive remodelling of the main downtown store. In the Dorval Shopping Centre in Montreal a new 110,000 sq. ft. unit was opened in March 1970 on the site of the old store which had been destroyed by fire in April 1969.

The fall in store profits can be attributed to a number of factors. Costs of operating continued to rise in 1969. Wage and salary levels increased 7% reflecting inflationary pressures. Municipal and business taxes and finance costs rose to record levels. These cost increases were general to business in Canada. In addition, the Company's expense structure was affected by development and start-up costs of the two new suburban stores; the planning and design expenditures related to two new stores under construction and due to open in the current year; the costs of establishing a new 260,000 sq. ft. Service Building in Vancouver, opened in October, 1969; development expenses related to electronic data processing and the strengthening of the Company's central merchandising programme. These activities did not contribute towards earnings in the year under review but will undoubtedly bring long-term benefits to the Company.

An important appointment to the Senior Management and the Board was made in September 1969 when Mr. D. S. McGiverin, who has had a distinguished career in Canadian retailing for 23 years joined the Company as Managing Director, Retail Stores. The Board is confident that Mr. McGiverin will make an important contribution to the Company's retail fortunes in the years ahead.

To ensure the continued long-term progress of the Company's retail operations, the Company intends to pursue aggressively the development of new suburban stores and to continue the extensive modernization of present stores. Two new 120,000 sq. ft. branch stores opened in 1969 are both in the Vancouver area, one in Richmond and the other in Burnaby. The sales from both these units exceeded expectations for the year.

Two stores due to open in 1970 will be in major shopping centres in which Hudson's Bay Company has substantial minority equity interests. One in Toronto will be in the Fairview Mall, a fully enclosed centre containing shopping malls on two levels with a department store at each end. The other, in Edmonton, will be in the Southgate Shopping Centre, a new fully enclosed and integrated centre.

Northern Stores

Continued expansion of oil and mineral exploration in the Canadian North helped to maintain the economic buoyancy experienced by the region in recent years. Results of Northern Stores reflected these conditions and once again record results were achieved. Construction projects were confined primarily to the replacement of older stores and the expansion of existing ones, six stores being replaced and seven enlarged. A new store was constructed at Mackenzie—a pulp and paper town in Northern British Columbia—and opened after the end of the year. The total number of Northern Stores currently in operation is 218.

Last season a new tug, the "Nelson River", was added to the Company's Transport Division. She joins the "Rupert River" and the "Churchill River" to serve 11 Company stores along the coasts of James and Hudson Bays from Severn in Northwestern Ontario to the Belcher Islands off the Coast of Arctic Quebec.

Wholesale

The steady growth of sales of the Wholesale Department continued but profits were not fully maintained. The main factor was a decline in profit margins for tobacco products, an important part of the department's business. The number of branches increased to 24 with the opening of a branch in Moose Jaw, Saskatchewan. The seven units in Ontario, formerly operated under the name of Scales & Roberts Limited, became known as Hudson's Bay Wholesale—a change in name designed to provide the branches with a stronger identification with the Company in the Ontario market.

Fur

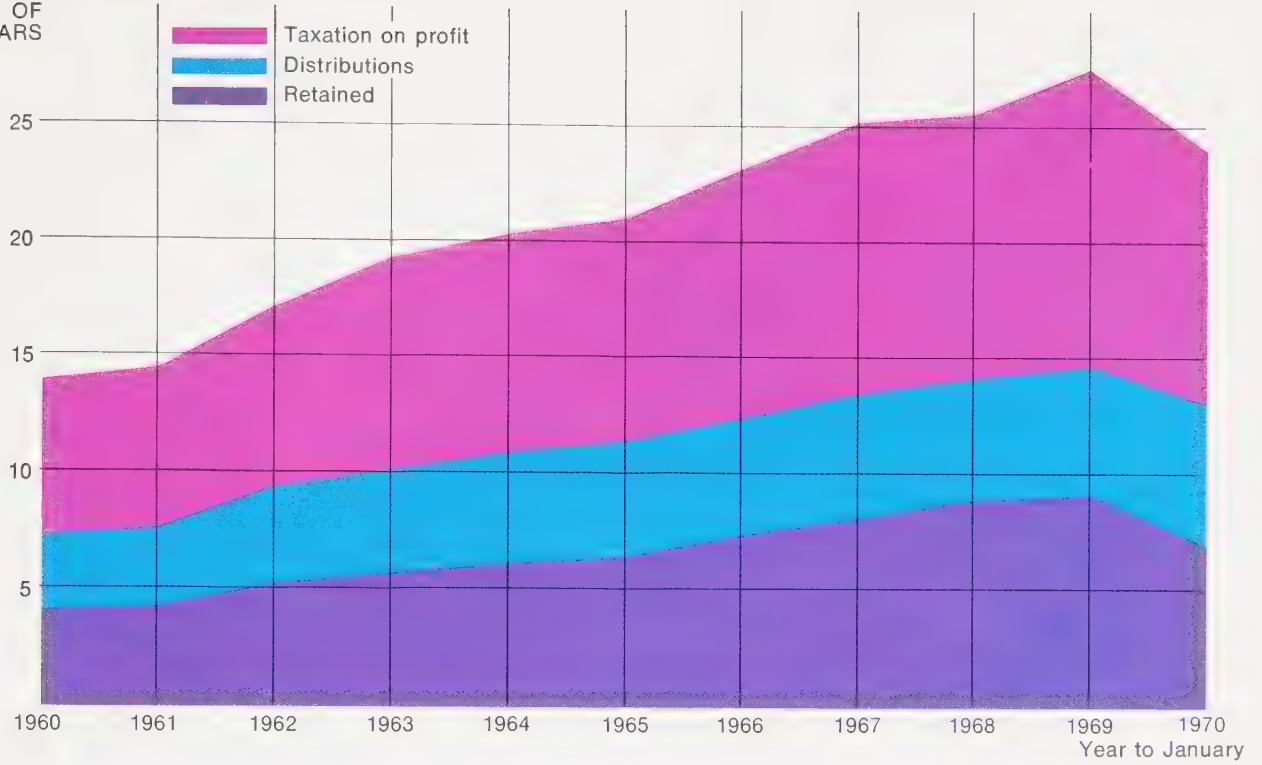
Fur markets, always volatile, turned downward in 1969. After a strong start, prices of ranched Mink declined rapidly in the spring and continued at depressed levels for the remainder of the year. Long-haired furs enjoyed good demand throughout the year, although prices also softened.

The Company's fur operations reflected this situation. Of the three fur auctions, London, which handles the widest variety of fur, enjoyed another good year, marred only by weak year-end Mink sales.

In New York, where business is almost entirely in U.S. ranched Mink, prices fell during the year by 30 - 35% and volume of skins handled

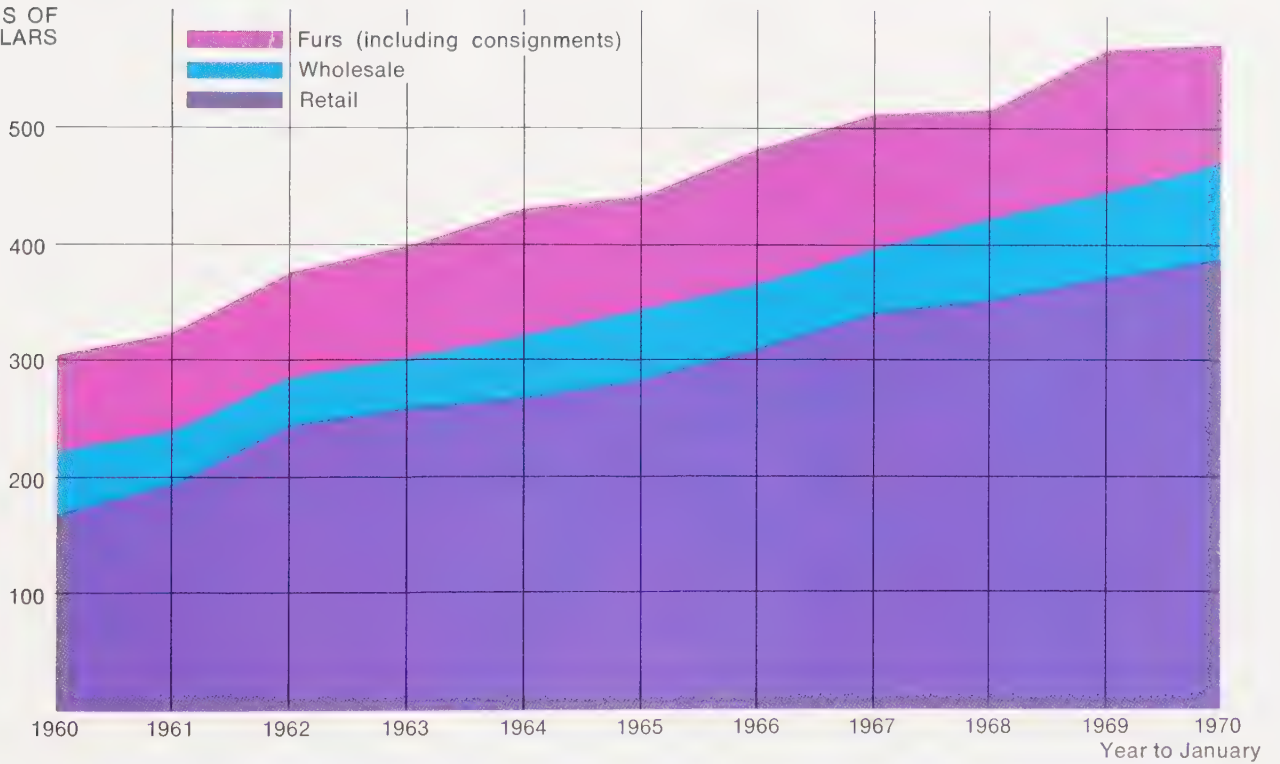
PROFIT

MILLIONS OF
DOLLARS



SALES

MILLIONS OF
DOLLARS



was down 20%. Profits suffered severely and may be expected to remain depressed until such time as demand for Mink recovers. Sales of the Company's own collection of wild furs, a substantial part of which is in the long-haired varieties, held up well.

Oil

In 1969, Hudson's Bay Oil & Gas Company Limited, owned 21.9% by Hudson's Bay Company, again achieved substantial gains in operating volumes and revenues.

Gross operating revenues were \$76,495,000, an increase of 14.4%.

Operating and exploration expenditures were \$49,117,000. Additions to reserves again exceeded withdrawals.

Earnings before tax were up 9.6%. Profits, however, were affected for the first time by the impact of income taxes, which had been, hitherto, a negligible factor due to accumulated deductions for drilling and exploration expenditures carried forward from previous years. Net earnings after tax at \$27,030,000 were approximately 1% higher than in the prior year. After the deduction of preferred dividends, earnings per common share were \$1.40 compared with \$1.38 in 1968.

The annual dividend was unchanged at 50¢ per common share, as a result of which Hudson's Bay Company again received \$2,004,000.

300TH ANNIVERSARY

The Company's 300th Anniversary, a unique event in the annals of commerce, is being celebrated throughout the year in a variety of ways. Three examples are included in this report. The symbol on the cover, combines the dates 1670 and 1970 and is being used extensively in Company advertising and graphic material; the medal, which accompanies the report, was struck for presentation to staff and shareholders as a memento of the Anniversary; the illustrations in the report are from the colourful exhibition on Company history which is appearing in many of our stores across Canada during 1970.

In June the Company is planning an exhibition at Beaver House covering its three centuries of history, which will be open to the public.

On 24th June Her Majesty the Queen, accompanied by His Royal Highness the Duke of Edinburgh, has consented to attend a reception at Beaver House given to commemorate the Company's tercentenary.

In July, as has already been announced, Her Majesty the Queen will visit Canada, when the Company will pay to Her Majesty the traditional symbolic rent due under the Company's original Charter of 1670.

The full size replica of the Company's first ship, the "Nonsuch", which attracted wide interest in her appearances in the United King-

dom in 1969, will be exhibited in Eastern Canada this summer.

Other anniversary projects include a new historical film, a whimsical history, and major sales and promotional events related to the anniversary at Company stores throughout the year.

BOARD

Proprietors generally will be as sad as are his colleagues on the Board that Mr. Graham Towers has decided on grounds of age not to seek re-election to the Board.

During the 15 years that Mr. Towers has been associated with the Company he has brought to the Board and Canadian Committee the unique benefits of experience derived from a most distinguished career in the service of Canada.

He will be deeply missed, and we wish to express to him our sincere thanks for the invaluable contribution he has made to the welfare of our Company.

Mr. D. E. Kilgour, a director since 1962 and Chairman of the Canadian Committee since 1964, has expressed his wish to retire at the forthcoming Annual General Court.

His colleagues on the Board wish to place on record their deep appreciation of the services Mr. Kilgour has rendered to the Company during the eight years he has served on the Board, and the six years he has held the appointment of Chairman of the Canadian Committee.

In addition to the appointment of Mr. D. S. McGiverin, previously mentioned, we are delighted to welcome as new directors Mr. A. M. McGavin of Vancouver and Mr. A. J. MacIntosh, Q.C., of Toronto. The addition of these directors from two great Canadian cities will be of much value to the Company.

STAFF

Through its long history our Company has had the good fortune to be served by a robust, vigorous, and effective staff. Never has this been more so than at present.

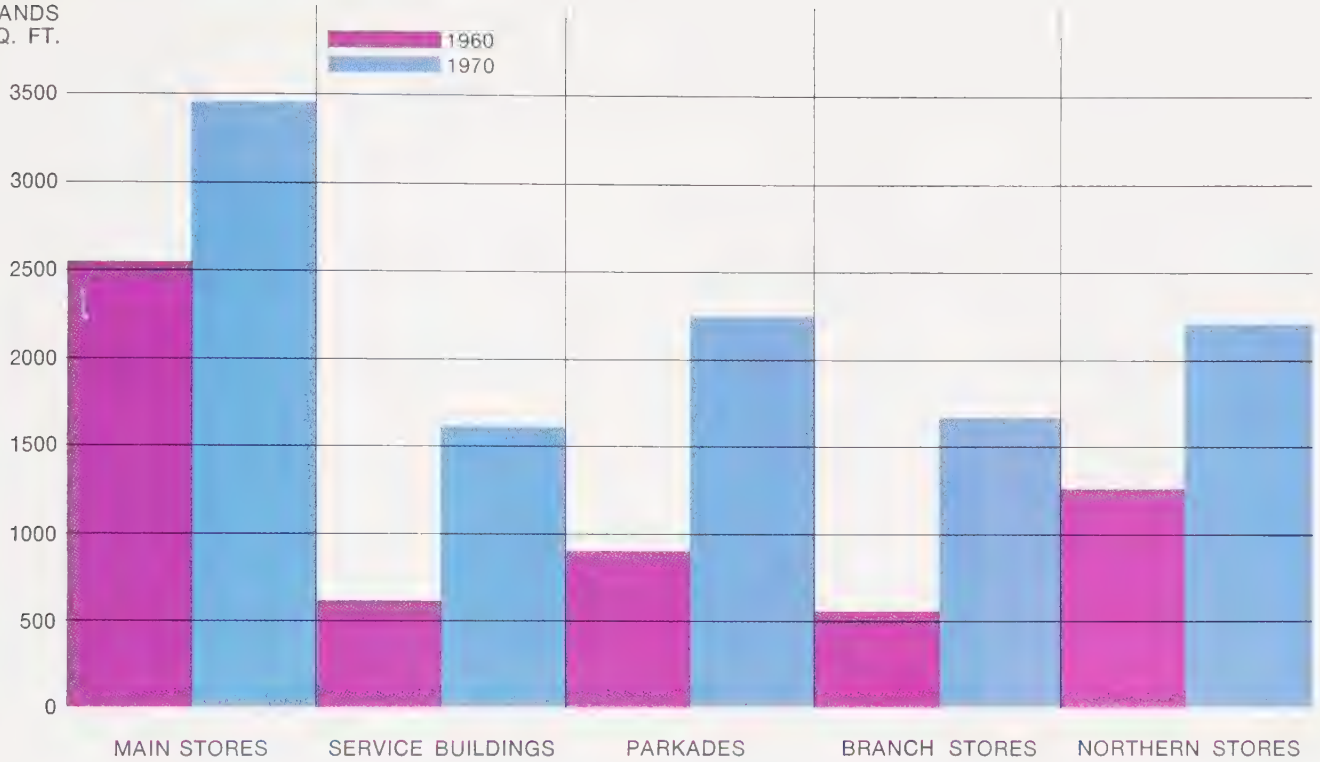
We are intensely proud of our Bay staff of over 15,000 in whose hands the affairs of the Company are entrusted. It has been and will continue to be the aim of the Board to ensure that their efforts are supported by the most efficient and cost effective organisation that modern techniques can contrive.

On behalf of the Board,
AMORY
Governor

17th March, 1970.

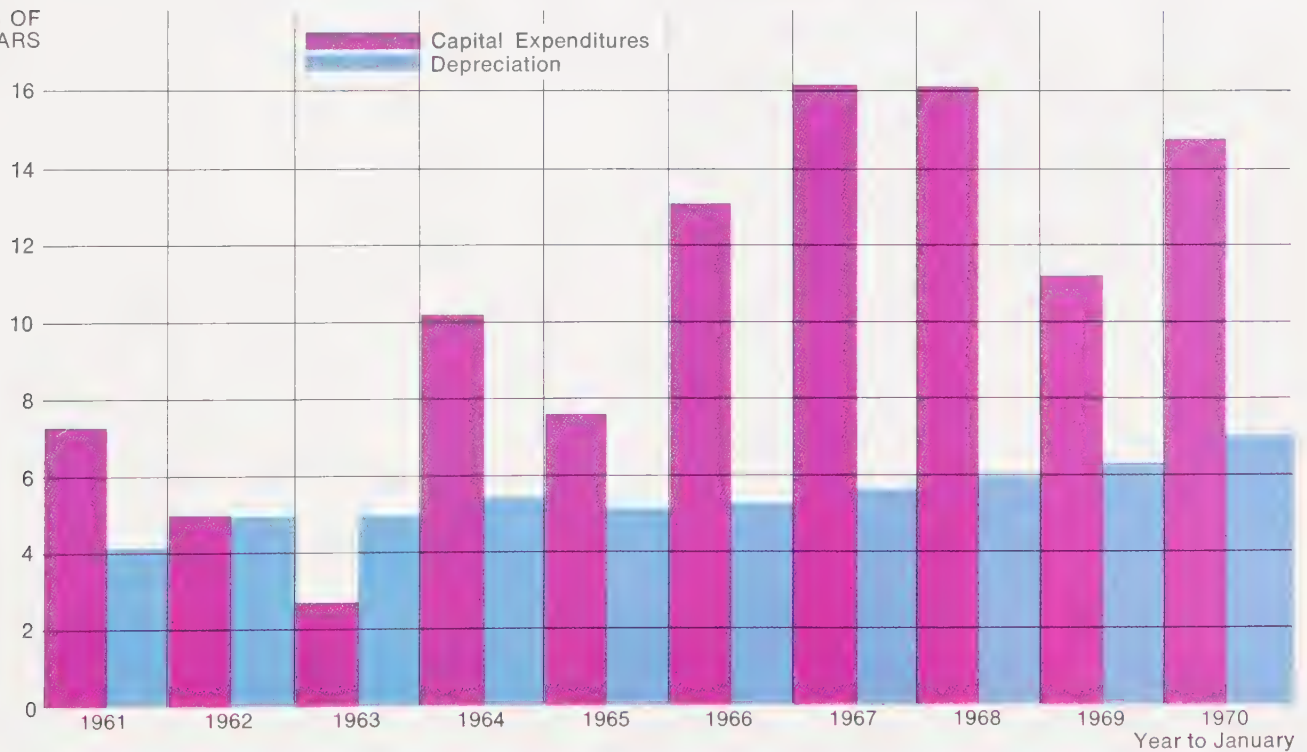
RETAIL FACILITIES

THOUSANDS
OF SQ. FT.



CAPITAL EXPENDITURES AND DEPRECIATION (Land, Buildings and Equipment)

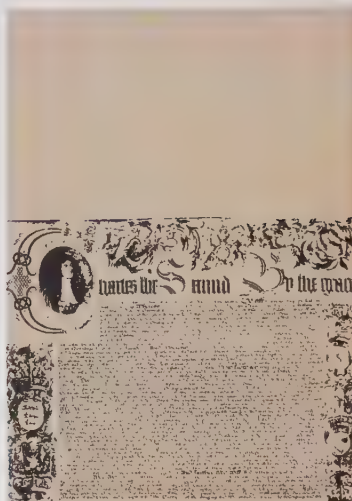
MILLIONS OF
DOLLARS





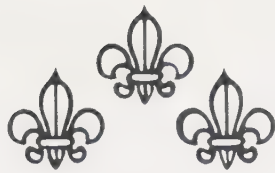
On June 3, 1668, the *Eaglet* and *Nonsuch* left London for the New World. The *Eaglet* with Radisson on board was damaged in an Atlantic storm, and returned, but the *Nonsuch* with Mr. "Gooseberry", reached James Bay.

After a winter of trading with the peaceful Crees, the *Nonsuch* returned with a handsome cargo of furs.



Because of this successful voyage, a Charter was granted on 2nd May, 1670 by King Charles II incorporating "The Governor and Company of Adventurers of England trading into Hudson's Bay".





John Churchill, Duke of Marlborough, was governor of the Hudson's Bay Company from 1685 to 1692 and later gained world fame for his brilliant campaigns in the War of the Spanish Succession which ended with the Treaty of Utrecht in 1713.

By this Treaty the forts were returned to the Company and the French explorers and traders left the scene of their exploits.



From the first the French challenged the Company's rights. Raided from land and sea by such daring men as Pierre le Moyne, Sieur d'Iberville, its log forts reduced to ashes, its men and goods seized, the Company nevertheless always remained in command — of at least one post.



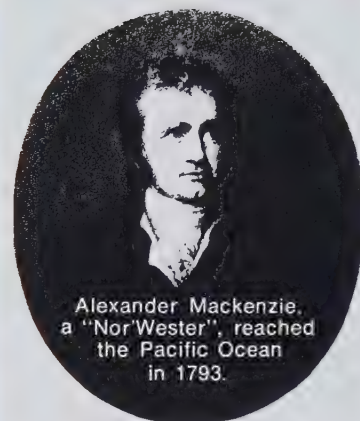


Journal de la Compagnie du Nord-Ouest
Tenue par le Gouverneur

Date	Particulars	Debit	Credit	Balance
1774	Received of the Company		1000	1000
1775	Received of the Company		1000	2000
1776	Received of the Company		1000	3000
1777	Received of the Company		1000	4000
1778	Received of the Company		1000	5000
1779	Received of the Company		1000	6000
1780	Received of the Company		1000	7000
1781	Received of the Company		1000	8000
1782	Received of the Company		1000	9000
1783	Received of the Company		1000	10000
1784	Received of the Company		1000	11000
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Journal de la Compagnie du Nord-Ouest
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1799	Received of the Company		1000	26000
1800	Received of the Company		1000	27000
1801	Received of the Company		1000	28000
1802	Received of the Company		1000	29000
1803	Received of the Company		1000	30000
1804	Received of the Company		1000	31000
1805	Received of the Company		1000	32000
1806	Received of the Company		1000	33000
1807	Received of the Company		1000	34000
1808	Received of the Company		1000	35000
1809	Received of the Company		1000	36000
1810	Received of the Company		1000	37000
1811	Received of the Company		1000	38000
1812	Received of the Company		1000	39000
1813	Received of the Company		1000	40000
1814	Received of the Company		1000	41000
1815	Received of the Company		1000	42000
1816	Received of the Company		1000	43000
1817	Received of the Company		1000	44000
1818	Received of the Company		1000	45000
1819	Received of the Company		1000	46000
1820	Received of the Company		1000	47000
1821	Received of the Company		1000	48000
1822	Received of the Company		1000	49000
1823	Received of the Company		1000	50000
1824	Received of the Company		1000	51000
1825	Received of the Company		1000	52000
1826	Received of the Company		1000	53000
1827	Received of the Company		1000	54000
1828	Received of the Company		1000	55000
1829	Received of the Company		1000	56000
1830	Received of the Company		1000	57000
1831	Received of the Company		1000	58000
1832	Received of the Company		1000	59000
1833	Received of the Company		1000	60000
1834	Received of the Company		1000	61000
1835	Received of the Company		1000	62000
1836	Received of the Company		1000	63000
1837	Received of the Company		1000	64000
1838	Received of the Company		1000	65000
1839	Received of the Company		1000	66000
1840	Received of the Company		1000	67000
1841	Received of the Company		1000	68000
1842	Received of the Company		1000	69000
1843	Received of the Company		1000	70000
1844	Received of the Company		1000	71000
1845	Received of the Company		1000	72000
1846	Received of the Company		1000	73000
1847	Received of the Company		1000	74000
1848	Received of the Company		1000	75000
1849	Received of the Company		1000	76000
1850	Received of the Company		1000	77000
1851	Received of the Company		1000	78000
1852	Received of the Company		1000	79000
1853	Received of the Company		1000	80000
1854	Received of the Company		1000	81000
1855	Received of the Company		1000	82000
1856	Received of the Company		1000	83000
1857	Received of the Company		1000	84000
1858	Received of the Company		1000	85000
1859	Received of the Company		1000	86000
1860	Received of the Company		1000	87000
1861	Received of the Company		1000	88000
1862	Received of the Company		1000	89000
1863	Received of the Company		1000	90000
1864	Received of the Company		1000	91000
1865	Received of the Company		1000	92000
1866	Received of the Company		1000	93000
1867	Received of the Company		1000	94000
1868	Received of the Company		1000	95000
1869	Received of the Company		1000	96000
1870	Received of the Company		1000	97000
1871	Received of the Company		1000	98000
1872	Received of the Company		1000	99000
1873	Received of the Company		1000	100000



Alexander Mackenzie, a "Nor'Wester", reached the Pacific Ocean in 1793.

In 1821 the two fur trading companies amalgamated. The union of the two companies created a fur trade monopoly that covered a quarter of North America. The man who emerged as governor-in-chief of this amazing empire was George Simpson. This far-sighted, talented man brought power and prosperity to the Company.



By 1755, Anthony Henday had reached the Foothills of the Rockies.

In the 1780's a group of Montreal traders — the North West Company—seriously challenged the Company's trade. Because Lord Selkirk's agricultural community was situated across the main route of the Nor'Westers, there was open warfare in the Red River Settlement. In 1816 men in the employ of the North West Company killed Governor Robert Semple of the Hudson's Bay Company and 21 settlers. Acting in his capacity as Justice



of the Peace, Lord Selkirk arrested William McGillivray, Head of the North West Company. The tortuous legal proceedings finally ended and the Nor'Westers were vindicated of practically all the charges.



Samuel Hearne, recently returned from his famous overland trip to the Arctic Ocean, built the Company's first western inland post 1774-75.





In 1870, by the Deed of Surrender, the Company's chartered territory of Rupert's Land was transferred to Canada. On the Great Plains the era of the fur trade and the canoe had ended.



ark Factory, 1854, the Com-
ny's great depot on Hudson's
y, situated near the mouth
the Hayes River in present-
y Manitoba.

During the 30 years following the Deed of Surrender, railways and telegraphs crossed the Rocky Mountains and more than two million people settled west of the Great Lakes.



HUDSON'S BAY COMPANY.
FARMING LANDS
FOR SALE
IN MANITOBA
AND
THE NORTH-WEST.

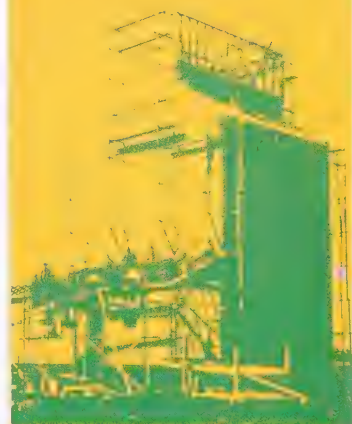
The Hudson's Bay Company own 7,000,000 acres in the Great Fertile Belt, and now offer for sale
500,000 ACRES

Town Lots also for Sale
In Winnipeg, West Lynne, Rat Portage, Portage la Prairie, and Goschen (N.W.T.)

The above will be disposed of at reasonable prices, and on easy terms of payment. Full information in regard to these lands will be given at the offices of the Company in Winnipeg and in Montreal.

C. J. BRYDGES,
Land Commissioner.

Winnipeg, 1880. 46-57



THREE HUNDRED YEARS BOLD



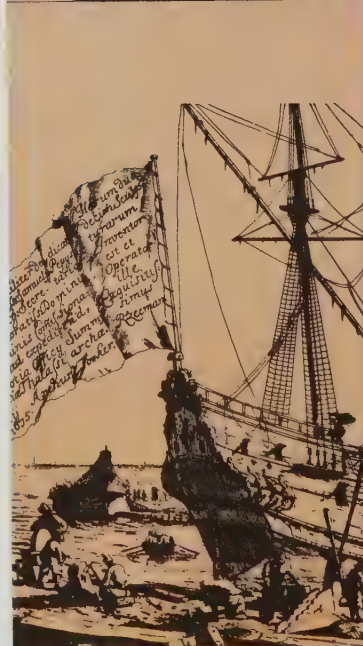
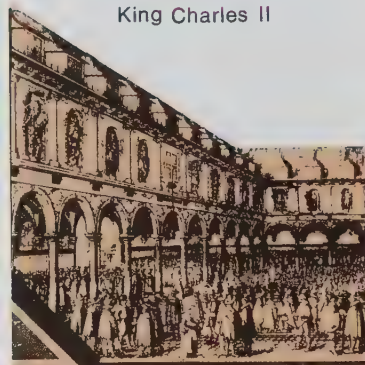
Excerpts from an historical exhibition created by Hudson's Bay Company for display in Company stores across Canada during 1970 as part of its 300th Anniversary Celebrations.



King Charles II



In 1660 England was ruled by Charles II and in London, a growing centre of trade, the beaver was considered a social necessity which increased the demand for that fur.



Prince Rupert

Two fur traders from North America, Pierre Esprit Radisson and Médard Chouart, Sieur des Groseilliers, persuaded the court of Charles II — through his capable cousin Prince Rupert — to outfit and sponsor an expedition to Hudson Bay.



As cities rose from tent-towns, the Company evolved from purely a fur trading empire into a Company with retail interests. Today, there are 250 stores across the nation.



Fur is still important and is sold at three auction houses — London, New York and Montreal. But, as the Company has moved through time, its development has matched the progress of the country itself and it is now, beyond retailing and fur, actively involved in fields such as oil, wholesale.



This is a year of celebration as the oldest incorporated trading company in the world marks the occasion of its anniversary:

THREE CENTURIES BOLD.

CONSOLIDATED BALANCE SHEET

HUDSON'S BAY COMPANY AND SUBSIDIARIES 31st JANUARY, 1970

	1970		1969	
	\$	\$	\$	\$
CURRENT ASSETS				
Cash on hand and in bank	8,998,000		3,604,000	
Short term securities at market value	—		9,480,000	
Accounts receivable	92,731,000		84,332,000	
Prepaid expenses	1,508,000		2,929,000	
Merchandise (Note 4)	69,045,000	172,282,000	63,810,000	164,155,000
TRADE INVESTMENTS at cost (Note 3)				
Quoted Investments				
Hudson's Bay Oil and Gas Co. Ltd.	10,095,000		10,095,000	
Other	194,000		185,000	
	10,289,000		10,280,000	
Unquoted Investments	4,361,000	14,650,000	1,310,000	11,590,000
FIXED ASSETS (Note 12)				
Land and buildings	84,051,000		80,795,000	
Equipment and transport	19,349,000	103,400,000	15,532,000	96,327,000
AMORY				
W. J. KESWICK				
Directors				
		\$290,332,000		\$272,072,000

		1970		1969	
		\$	\$	\$	\$
CURRENT LIABILITIES					
Bank loans and overdrafts	9,640,000			3,897,000	
Short term loans (Note 9)	3,400,000			—	
Accounts payable and accrued expenses	39,352,000			42,929,000	
Income taxes payable	629,000			4,557,000	
Proposed dividend	3,876,000	56,897,000		3,877,000	55,260,000
STAFF RETIREMENT (Note 8)					
		4,244,000			4,428,000
DEFERRED INCOME TAXES					
		2,035,000			1,539,000
LONG TERM DEBT (Note 13)					
		56,831,000			47,195,000
SHAREHOLDERS' EQUITY					
CAPITAL STOCK					
Authorised — £15,000,000					
Issued — 13,553,428 ordinary shares of £1 each	35,239,000			35,239,000	
RESERVES (Note 11)					
Capital	20,898,000			20,847,000	
Revenue	114,188,000	170,325,000		107,564,000	163,650,000
		\$290,332,000		\$272,072,000	

CONSOLIDATED PROFIT AND LOSS ACCOUNT

HUDSON'S BAY COMPANY AND SUBSIDIARIES FOR THE YEAR ENDED 31st JANUARY, 1970

	1970		1969	
	\$	\$	\$	\$
SALES		472,812,000		453,079,000
TRADING PROFIT after charging all costs and expenses of operation other than those listed below:—		31,080,000		33,053,000
Depreciation (Note 5)	6,966,000		6,198,000	
Interest on long term debt	3,503,000		2,873,000	
Net short term interest	614,000		424,000	
Directors' remuneration (Note 14)	447,000	11,530,000	400,000	9,895,000
		19,550,000		23,158,000
OTHER INCOME				
Quoted investments	2,050,000		2,049,000	
Royalties	2,189,000	4,239,000	2,228,000	4,277,000
PROFIT BEFORE TAXES		23,789,000		27,435,000
TAXES ON CURRENT PROFITS				
U.K. corporation tax at 45% (42½ %)	5,844,000		6,458,000	
Less estimated double taxation relief	5,495,000		5,980,000	
	349,000		478,000	
Canadian and U.S. taxes (Note 2)	10,483,000	10,832,000	12,254,000	12,732,000
PROFIT AFTER TAXES		\$12,957,000		\$14,703,000
APPROPRIATION OF PROFIT				
Parent Company				
Interim dividend, 9%	3,172,000		3,172,000	
Proposed final dividend, 11%	3,876,000	7,048,000	3,877,000	7,049,000
Less estimated transitional tax relief		715,000		1,235,000
		6,333,000		5,814,000
Increase in revenue reserves		428,000		1,656,000
		6,761,000		7,470,000
Subsidiaries				
Increase in revenue reserves		6,196,000		7,233,000
		\$12,957,000		\$14,703,000

SOURCE AND USE OF FUNDS

HUDSON'S BAY COMPANY AND SUBSIDIARIES FOR THE YEAR ENDED 31st JANUARY, 1970

	1970	1969
	\$	\$
SOURCE OF FUNDS		
Profit after taxes	12,957,000	14,703,000
Depreciation	6,966,000	6,198,000
Deferred income taxes	496,000	673,000
Provided from operations	20,419,000	21,574,000
Transitional tax relief	715,000	1,235,000
Disposal of fixed assets	651,000	284,000
Increase in long term debt	9,636,000	9,987,000
	<u>\$31,421,000</u>	<u>\$33,080,000</u>
USE OF FUNDS		
Additions to fixed assets	14,690,000	11,279,000
Additions to investments	3,060,000	1,310,000
Cost of dividends	7,048,000	7,049,000
Other, net	133,000	198,000
Increase (decrease) in working capital:		
Cash & short term securities, net	(13,229,000)	10,579,000
Other working capital	19,719,000	2,665,000
	<u>\$31,421,000</u>	<u>\$33,080,000</u>

REPORT OF THE AUDITORS TO THE PROPRIETORS

We have examined the annexed balance sheet and the annexed consolidated balance sheet and consolidated profit and loss account and the consolidated statement of source and use of funds.

In our opinion the balance sheet and the consolidated accounts comply with the Companies Acts 1948 and 1967 and together with the notes thereon give respectively a true and fair view of the state of the Company's affairs at 31st January, 1970, and a true and fair view of the state of affairs and of the profit and source and use of funds of the Group.

11 Ironmonger Lane,
London, E.C.2.
17th March, 1970.

Peat, Marwick, Mitchell & Co.
Chartered Accountants

BALANCE SHEET

HUDSON'S BAY COMPANY 31st JANUARY, 1970

	1970		1969	
	\$	\$	\$	\$
CURRENT ASSETS				
Cash on hand and in bank	5,533,000		2,059,000	
Accounts receivable	27,235,000		23,096,000	
Prepaid expenses	922,000		753,000	
Due from subsidiaries	4,256,000		1,261,000	
Merchandise (Note 4)	54,702,000	92,648,000	50,523,000	77,692,000
TRADE INVESTMENTS at cost (Note 3)				
Quoted	194,000		185,000	
Unquoted	4,361,000	4,555,000	1,310,000	1,495,000
INVESTMENT IN SUBSIDIARIES				
at cost less amounts written off		58,098,000		58,098,000
AMORY				
W. J. KESWICK				
Directors				
		\$155,301,000		\$137,285,000

		1970		1969	
		\$	\$	\$	\$
CURRENT LIABILITIES					
Bank loans and overdrafts	5,000,000			2,600,000	
Short term loans (Note 9)	3,400,000			—	
Accounts payable and accrued expenses	27,255,000			22,725,000	
Income taxes payable	262,000			2,875,000	
Due to subsidiaries	322,000			317,000	
Proposed dividend	3,876,000	40,115,000		3,877,000	32,394,000
STAFF RETIREMENT (Note 8)					
		4,244,000		4,428,000	
LONG TERM DEBT (Note 13)					
		10,000,000		—	
SHAREHOLDERS' EQUITY					
CAPITAL STOCK					
Authorised—£15,000,000					
Issued—13,553,428 ordinary shares of £1 each	35,239,000			35,239,000	
RESERVES (Note 11)					
Capital	20,352,000			20,301,000	
Revenue	45,351,000	100,942,000		44,923,000	100,463,000
		\$155,301,000		\$137,285,000	

NOTES ON THE ACCOUNTS

1. EXCHANGE

U.K. assets, liabilities and profits have been converted at Canadian \$2.60 to the £ and U.S. assets, liabilities and profits at Canadian \$1.08 to the U.S. \$1.00. The rates of exchange on 31st January, 1970, were Canadian \$2.58 to the £ and Canadian \$1.07 to the U.S. \$1.00.

2. TAXATION

Taxation charged against current profits includes deferred taxes of \$497,000 (\$673,000). No provision has been made for taxation which would arise if profits retained in and employed by subsidiaries were distributed.

3. TRADE INVESTMENTS

Hudson's Bay Company Investments Limited, a wholly-owned subsidiary, holds 4,008,656 common shares (21.9%) of the total of 18,294,044 common shares of Hudson's Bay Oil and Gas Company Limited, incorporated in Canada. Other common shares are held by Continental Oil Company (65.7%) and by the general public (12.4%). The market quotation at 31st January, 1970, on the Toronto Stock Exchange was \$46¾ per share. The other quoted investment consists of 635,000 ordinary shares (16.7% of the total ordinary issued capital) held by the parent company in Hill Thomson & Company Limited, registered in Scotland. The market quotation at 31st January, 1970, on the Stock Exchange, London, was 13/9d. per share.

Unquoted investments comprise equity and loan capital held by the parent company in shopping centre companies incorporated in Canada, none of which is yet producing income.

4. MERCHANDISE

Merchandise has been valued at the lower of cost and net realisable value.

5. DEPRECIATION

All buildings, equipment and transport are depreciated, using the straight line method, at rates that will fully depreciate the assets over their estimated useful life.

6. CAPITAL EXPENDITURE

Total capital expenditures authorised at 31st January, 1970, were parent \$3,265,000 (Nil), subsidiaries \$12,296,000 (\$10,468,000) of which contracts issued by subsidiaries amounted to \$901,000 (\$3,440,000).

7. LEASE COMMITMENTS

Annual minimum rentals under major leases in effect or contracted amount to approximately \$1,500,000. The average term of these leases is 16 years.

8. STAFF RETIREMENT

The provision for staff retirement is expected to be adequate to cover the cost of any unfunded pension liabilities. The current service cost of accruing pension benefits is charged against current earnings.

9. SHORT TERM LOANS

Short term promissory notes at an average rate of 8½ % per annum mature within one month.

10. STATUTORY AND OTHER INFORMATION

A list of subsidiary companies, and the principle activities of the Group are given on pages 24 and 22.

Remuneration of the Companies' auditors amounted to \$84,000 (\$78,000).

As required by the Stock Exchange, London, the Company states that it is not a close company under the provisions of the Finance Act, 1965.

11. RESERVES

	Group		Parent Company	
	Capital Reserves	Revenue Reserves	Capital Reserves	Revenue Reserves
Balance at 31st January, 1969	\$20,847,000	\$107,564,000	\$20,301,000	\$44,923,000
Movements during the year:				
Exchange adjustment	51,000		51,000	
Net increase for year per profit and loss account		6,624,000		428,000
Balance at 31st January, 1970	<u>\$20,898,000</u>	<u>\$114,188,000</u>	<u>\$20,352,000</u>	<u>\$45,351,000</u>

12. FIXED ASSETS

	Freehold Land & Buildings	Equipment & Transport	Total
Fixed Assets comprise the following:			
Cost	\$131,220,000	\$ 37,491,000	\$168,711,000
Accumulated depreciation	47,169,000	18,142,000	65,311,000
Net book value	<u>\$ 84,051,000</u>	<u>\$ 19,349,000</u>	<u>\$103,400,000</u>
Movements during the year were:			
Net book value at 31st January, 1969	\$ 80,795,000	\$ 15,532,000	\$ 96,327,000
Additions	6,188,000	8,502,000	14,690,000
Disposals	(257,000)	(394,000)	(651,000)
Depreciation	(2,675,000)	(4,291,000)	(6,966,000)
Net book value at 31st January, 1970	<u>\$ 84,051,000</u>	<u>\$ 19,349,000</u>	<u>\$103,400,000</u>

Because of the widespread distribution of the Company's numerous properties a detailed assessment of current market values has not been considered justified. The Directors, however, are in no doubt that the value of land and buildings is substantially in excess of the book value. Land includes mineral rights on approximately 4½ million acres in Western Canada recorded at nominal value.

13. LONG TERM DEBT

	1970	1969
Hudson's Bay Company Acceptance Limited		
6% debentures series "A" due 1980 (secured)	\$10,000,000	\$10,000,000
5¾ % debentures series "B" due 1983 (secured)	10,000,000	10,000,000
These debentures are guaranteed by the Parent Company		
Hudson's Bay Company Properties Limited		
5¾ % first mortgage bonds series "A" due 1990 (secured)	14,665,000	15,000,000
Annual sinking fund redemptions \$375,000		
7½ % first mortgage bonds series "B" due 1991 (secured)	10,000,000	10,000,000
Annual sinking fund redemptions \$250,000 from 1971		
Henry Morgan & Co. Limited		
4¾ % sinking fund debentures due 1976 (unsecured)	1,060,000	1,060,000
Rupert's Land Trading Company		
Mortgages, 7% average	1,106,000	1,135,000
Repayable by instalments to 1988		
Long term debt of subsidiaries	\$46,831,000	\$47,195,000
Hudson's Bay Company		
8½ % Series "A" notes due 1972 to 1974	10,000,000	—
Consolidated long term debt	<u>\$56,831,000</u>	<u>\$47,195,000</u>

In January, 1970, Hudson's Bay Company Acceptance Limited offered \$20,000,000 9½ % debentures series "C" (secured) due 1989 but repayable at the holders' option in 1975. These debentures are guaranteed by the Parent Company. The proceeds were received on 2nd March, 1970.

14. DIRECTORS' REMUNERATION

	1970	1969
United Kingdom Directors	\$ 21,000	\$ 21,000
Canadian Directors	375,000	328,000
Pensions in respect of former directors	51,000	51,000
	<u>\$ 447,000</u>	<u>\$ 400,000</u>

COMPARATIVE SUMMARY

IN THOUSANDS OF DOLLARS

YEARS ENDED 31st JANUARY

	1970	1969	1968	1967
Sales — Retail	387,524	371,951	349,968	334,905
— Fur	6,713	6,687	4,958	7,290
— Wholesale	78,575	74,441	69,862	62,979
— Total (excl. consignments)	472,812	453,079	424,788	405,174
Consignment sales	92,258	110,214	90,803	108,792
Profit — Retail	16,643	18,569	18,270	17,922
— Fur	903	2,265	868	1,497
— Wholesale	2,004	2,324	2,226	2,007
— Royalties	2,189	2,228	2,181	2,025
— Investment income	2,050	2,049	2,049	1,653
— Total before taxes	23,789	27,435	25,594	25,104
Taxes on profits	10,832	12,732	11,486	11,640
Net profit	12,957	14,703	14,108	13,464
Transitional tax relief	715	1,235	1,560	2,250
Cost of dividends	7,048	7,049	7,360	7,929
Profits retained	6,624	8,889	8,796	7,785
Capital expenditures	14,690	11,279	16,190	16,194
Depreciation	6,966	6,198	5,907	5,613
Fixed assets	103,400	96,327	91,530	81,777
Trade investments	14,650	11,590	10,280	10,308
Net current assets	109,106	102,928	90,124	90,975
Assets employed	227,156	210,845	191,934	183,060
Long term debt	56,831	47,195	37,208	36,060
Shareholders' equity	170,325	163,650	154,726	147,000
Shares outstanding (000's)	13,553	13,553	13,553	13,553
Number of shareholders	32,142	31,066	30,201	30,959
Net profit per share	96¢	\$1.08	\$1.04	99¢
Dividends per share (Note 2)	52¢	52¢	54¢	59¢

Notes: (1) Sterling and U.S. dollar figures have been converted at the rates of exchange used in the accounts of the individual companies.

(2) Dividends per share, declared in Sterling, have been converted at the rates of exchange prevailing at the time of declaration.

(3) Profits and dividends per share for the year 1961 have been adjusted to reflect the bonus issue made in August 1961.

(4) Miscellaneous and non-recurring items have been excluded from profits but have been included in shareholders' equity.

1966	1965	1964	1963	1962	1961
307,626	287,526	268,272	253,293	240,985	194,373
6,864	8,226	7,776	6,771	6,518	6,351
56,121	51,630	49,785	48,720	46,903	45,766
370,611	347,382	325,833	308,784	294,406	246,490
109,146	95,268	101,013	91,482	82,679	75,370
16,428	15,405	14,406	13,716	12,589	11,177
1,884	1,392	2,361	2,121	1,703	1,576
1,371	1,014	693	627	602	622
1,827	1,764	1,677	1,569	1,397	1,266
1,647	1,443	1,236	1,236	826	—
23,157	21,018	20,373	19,269	17,117	14,641
10,848	9,741	9,645	9,183	8,224	7,361
12,309	11,277	10,728	10,086	8,893	7,280
1,110	—	—	—	—	—
6,420	4,953	4,749	4,500	3,735	3,266
6,999	6,324	5,979	5,586	5,158	4,014
13,149	7,656	10,203	2,877	5,076	7,330
5,166	5,115	5,403	4,995	5,020	4,127
71,841	64,095	61,758	56,958	58,932	58,876
10,308	10,308	10,308	10,308	10,293	10,293
94,677	80,916	77,235	66,351	58,995	41,922
176,826	155,319	149,301	133,617	128,220	111,091
37,719	23,277	23,673	14,064	14,319	14,420
139,107	132,042	125,628	119,553	113,901	96,671
13,553	13,553	13,553	13,553	13,553	6,138
29,538	28,753	26,628	24,295	22,567	20,348
91¢	83¢	79¢	74¢	66¢	59¢
48¢	36¢	35¢	33¢	30¢	27¢

years (Sterling: 1968-70 \$2.60; 1963-67 \$3.00; 1961-62 \$2.80. U.S. dollar: 1968-70 \$1.08; 1963-67 \$1.07; 1961-62 \$1.00.)

payment. Dividends paid prior to January 1, 1966, are shown after deduction of U.K. tax.

61 of one share for each share held.

uity.

THE COMPANY

(BRIEF DESCRIPTION)

HISTORY

Hudson's Bay Company was incorporated in 1670 by Royal Charter, which granted the company ownership and exclusive trading rights over all the lands draining into Hudson Bay. For its first 200 years the Company was engaged solely in the fur trade. Then in 1870, the territories were transferred to Canada in exchange for farm land in the Prairie Provinces. All this land has since been sold, but mineral rights on 4½ million acres have been retained. Toward the end of the 19th century, general stores evolved from trading posts and today retailing is the Company's most important activity.

RETAIL STORES

There are eight large downtown department stores in major Canadian cities, 20 medium-size department stores and 218 northern stores in smaller communities across the country. These figures include six stores operated under the Morgan's name.

RESOURCES

Hudson's Bay Company is the world's largest trading company with auction houses in London, Montreal and New York. In addition to consignment sales which account for the greater part of fur volume, raw furs are purchased by the Company at northern stores throughout Canada and sold at auction houses.

The Company holds oil and natural gas rights on 4½ million acres, which are optioned to Hudson's Bay Oil and Gas Company Limited, an associated company in which Hudson's Bay Company owns 21.9% of the common shares.

WHOLESALE

A wide range of products carrying the Company's name, including blankets and spirits, is marketed throughout Canada and the United States. The Company is also Canada's largest wholesale distributor of tobacco products.

STAFF

The Company employs approximately 15,000 people.





PRINCIPAL SUBSIDIARY COMPANIES

(WHOLLY OWNED)

INCORPORATED IN CANADA

HENRY MORGAN & CO. LIMITED

Operates stores in Eastern Canada

HENRY MORGAN PROPERTIES LIMITED

Property owning company

HUDSON'S BAY COMPANY ACCEPTANCE LIMITED

Purchases deferred payment accounts

HUDSON'S BAY COMPANY INVESTMENTS LIMITED

Investment holding company

HUDSON'S BAY COMPANY PROPERTIES LIMITED

Property owning company

RUPERT'S LAND TRADING COMPANY

Property owning company

RUPERT'S LAND TRADING COMPANY (QUEBEC) LTD.

Property owning company

SCALES & ROBERTS LIMITED

Wholesale distributors

THE H. FORTIER COMPANY LIMITED

Wholesale distributors

INCORPORATED IN THE UNITED STATES OF AMERICA

HUDSON'S BAY COMPANY INC.

Wholesale distributors of HBC "Point" Blankets, whiskies and rums

HUDSON'S BAY COMPANY FUR SALES INCORPORATED

Fur brokers

INCORPORATED IN ENGLAND

BEAVER HOUSE LIMITED

Property owning company

HUDSON'S BAY COMPANY FUR SALES LTD.

Fur brokers

CORPORATE INFORMATION

HEAD OFFICE

Beaver House, Great Trinity Lane, London E.C.4, England

HEAD OFFICE FOR CANADA

Hudson's Bay House, 77 Main Street, Winnipeg 1, Manitoba

PRINCIPAL BANKERS

Canadian Imperial Bank of Commerce

Bank of Montreal

Glyn, Mills & Co.

REGISTRAR

Glyn, Mills & Co., Salisbury Square House, Salisbury Square, London E.C.4, England

CANADIAN REGISTRAR

The Royal Trust Company, Toronto, Montreal, Winnipeg, Calgary and Vancouver

AUDITORS

Peat, Marwick, Mitchell & Co.

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